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RUEHBK/AMEMBASSY BANGKOK 2031
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UNCLAS GENEVA 001048

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SENSITIVE

DEPT FOR DEPT for IO/GS, IO/HS, IO/MPR, EEB/OIA, EEB/ODF, EEB/MTA,
OES/EGC, OES/ENV, AF/EP5

E.O. 12958: N/A

TAGS: [UNCTAD](#) [ECON](#) [ETRD](#) [XA](#) [EAID](#)

SUBJECT: UNCTAD - Trade and Development Board, 56th Session,
September 14-25, 2009, Geneva: Financial Crisis, Climate Change, and
African Integration

SENSITIVE BUT UNCLASSIFIED

¶1. (U) Summary. The United Nations Conference on Trade and Development (UNCTAD) held the 56th Session of its Trade and Development Board (TDB), UNCTAD's governing body, in Geneva from September 14-25, 2009. The meeting focused on LDC's, African economic integration, and the impact of the financial crisis and climate change on development. There was consensus that donor countries must maintain aid levels in spite of the financial crisis and that all countries must avoid protectionist trade measures. Delegates discussed the expanded role of governments in economies in response to the financial crisis. Developing countries repeatedly stated that they are not responsible for climate change, yet must suffer the consequences and need more aid to mitigate its effects.

¶2. (U) A heated debate concerning UNCTAD's work in the Palestinian territory was the most unproductive session. Other contentious issues included the role of UNCTAD's Working Party and approval of UNCTAD's new publications policy and communications strategy. Nevertheless, the U.S. achieved all its objectives in the meeting. Results of the Trade and Development Board's High-Level segment is reported septel. Please see www.unctad.org for a complete listing of agreed conclusions.
END SUMMARY.

Review of Progress in the Implementation of the Program for Action
for the Least Developed Countries (LDCs) for the Decade 2001-2010.

¶3. (U) There was consensus that the Doha Development Round should conclude as soon as possible, that LDC's have been hit especially hard from the economic crisis, that regional cooperation and integration can aid the recovery, and that there is a new paradigm in development that involves more state intervention in the economy.

¶4. (U) The G77 and China called for debt cancellation, increased "policy space," technology transfer, especially for climate change mitigation and agriculture, and greater South-South cooperation. Delegates focused on paragraph 41 of the Accra Accord, which calls for UNCTAD to increase its work within Africa and the LDCs. Several developing countries called for an independent evaluation of UNCTAD's implementation of paragraph 41. Group B (developed countries) opposed this proposal on the grounds that it would be too costly to undertake such a broad evaluation.

¶5. (U) Kandeh Yumkella, Director-General of UNIDO (UN Industrial Development Organization) made an impassioned and well-received speech on development prospects for LDC's. His four points were: 1) Diversification challenges: countries cannot succeed by only exporting primary commodities; 2) New Green Growth: Green enterprises offer potential for diversification and growth; 3) Policy Space is necessary for rapid growth as shown by India and China whose pragmatic strategies, including the understanding that you cannot fight poverty without creating wealth, are successful models for the developing world 4) Carbon-tax/Green protectionism: developed countries must not use clean energy goals to create new trade barriers.

¶6. (U) Terry McKinley, Professor at School of Oriental and African Studies at Oxford, discussed his "Development-oriented Macroeconomic Agenda," which makes the following recommendation: LDCs need to: hold the line on reducing tariffs, tax more, reduce capital outflows; improve market incentives [guarantee loans], and link formal institutions to the informal sector. He proclaimed the Washington consensus wrong and called for government-driven economic growth.

¶7. (U) There was a long debate over resources in coming to the agreed conclusions on LDC's. The agreed conclusions request UNCTAD to review the human resources of the LDC division and report back to the TDB, thus delaying a decision as to whether to increase the division's budget. The agreed conclusions also require that a section of each UNCTAD flagship publication be devoted to LDCs. The U.S. added to the agreed conclusions, the words "within existing resources" to ensure that any increase in resources for the LDC division is done by reallocating resources from another UNCTAD division to the LDC division, and not by an overall budget increase.

Economic Development in Africa: Strengthening regional economic
integration for Africa's development

¶8. (U) UNCTAD Secretary General Supachai expressed concern about increasing poverty in Africa. According to Supachai, 2009 saw the first decline in African GDP per capita since 1994. Three quarters of the countries in Sub-Saharan Africa will experience a rise in poverty. Supachai tasked UNCTAD with strengthening African integration through work on diversification, structural change, and economies of scale. Transportation, both the physical barrier of no infrastructure and the very difficult border crossings because of tariffs, are major concerns in Africa that were highlighted by many of the speakers.

¶9. (U) The focus of UNCTAD's report (Economic Development in Africa: Strengthening regional economic integration for Africa's development) and that of most speakers, was the importance of regional integration and how best to achieve it. The EU and ASEAN's experience were presented as models. There was major concern expressed over the state of infrastructure within Africa. The roads are abysmal, the infrastructure deficit is at USD 80 billion/yr and there are 54,000km of missing road links. There are also major concerns about the airline industry and barriers to easily flying within Africa. There were repeated calls for "Open Skies."

¶10. (U) Habib Ouanne, Director, UNCTAD Division for Africa, LDC and Special Programmes, discussed the challenges facing African integration: integration has been poorly implemented [ex. travel in Central Africa], weak infrastructure, increased trading costs, lack

of diversification. He pointed out that Asia, Latin America, and the Middle East are all investing in Africa, which is compensating for reduced investment from the U.S. and Europe. Intra-African investment is also on the rise.

¶11. (U) Many delegates spoke on inefficiencies in regional cooperation and the overlapping mandates and memberships of the regional organizations. Speakers called for merging of groups and trying to come up with a more unified, less convoluted system of regional membership. Many delegates opined that the MDG's could not be achieved by 2015.

¶12. (U) The changing development paradigm, where developing countries support each other's development, was frequently mentioned. In 2007, China invested more in Africa than the World Bank. South-South cooperation was trumpeted, while International Financial Institutions were targeting as untrustworthy and working against Africa. Panelists and developing country delegates pronounced the "Washington Consensus" dead and doubted if liberalization has brought about improved living standards.

¶13. (U) Economic Partnership Agreements (EPA's), which are reciprocal trade partnerships that will take the place of European

Union trade preferences to Africa, were hotly debated. Ademola Oyejide, Professor at the University of Ibadan, Nigeria, said that EPAs will strengthen African unity because African nations will negotiate as a group with the Europeans. He supported those negotiations, but cautioned that they are imposing strains on regional integration since they divert attention from regional trade to Africa/Europe trade. The EPA negotiations are heightening antagonisms between LDCs and non-LDCs within Africa, and the EPA's themselves will create a hub-and-spoke system with most trade still going outside the continent.

¶14. (U) Peter Thompson, Director of EPAs for the European Commission, argued that they will strengthen regional institutions, develop regionally integrated markets, create business opportunities, connect infrastructure, and lead to sustainable development. Thompson claimed that the former unilateral trade preference system has not worked [net export decrease, no diversification] and that a new, reciprocal trade partnership, as envisioned by the EPA's was needed.

Evolution of the international trading system and of international trade from a development perspective: Impact of the crisis

¶15. (U) The panel of experts agreed that the current global financial crisis was caused by factors within developed countries, yet it affected all countries and caused severe social and economic concerns in developing countries. The financial crisis has caused an increase in extreme poverty and rendered the achievement of the Millennium Development Goals by 2015 practically impossible.

¶16. (U) Developing countries want global solutions, including a stronger partnership among the different international organizations. A common wish from developing countries was to replace the G20 with a so-called "G192," which would come up with truly global solutions.

Development strategies in a globalized world: Meeting the development challenge of climate change

¶17. (U) Panelists and developing countries had three major concerns concerning climate change: 1) the countries that are not responsible are being forced to shoulder disproportional effects; 2) the need for intellectual property leeway in terms of mitigation technology; and 3) the possible creation of new, unwanted, trade barriers.

¶18. (U) Developing countries also expressed hope about: 1) green jobs and the ability to play a role in the global energy infrastructure through new renewable sources; 2) UNCTAD's contribution in pushing this issue and working towards structural

change to facilitate new green industry; and 3) climate change negotiations to be held in Copenhagen and the possibility of more ambitious targets.

Report on UNCTAD assistance to the Palestinian people

¶19. (U) The discussion was more about the political situation in the Palestinian territory than a technical discussion of UNCTAD's work. Several delegations made statements calling for a Palestinian state, with East Jerusalem as its capital, and the freezing of settlements.

At the same time, delegations took the opportunity to attack Israel. H.E. Bassim Khoury, Minister of National Economy,

Palestinian Authority, outlined how Israel is stifling the Palestinian economy by not allowing trade with other states and imposing many barriers to free movement of people and goods. He claimed that recent economic growth in the West Bank had nothing to do with Israeli softening of restrictions. Several Middle Eastern and North African countries called for Palestinian accession to the WTO.

¶20. (U) The Israeli delegation responded by asking delegations not to politicize UNCTAD's work, which Israel finds very productive. Israel expressed concern that the UNCTAD report conveyed only the Palestinian perspective. Israel issued its own report describing Israel's efforts to support the Palestinian economy.

¶21. (U) In its statement, the United States statement attempted to refocus discussion on technical assistance. Both Minister Khoury and the Israeli delegation thanked the U.S. constructive approach. Following the session, Minister Khoury appealed for U.S. support for Palestinian WTO accession.

Hearing with Civil Society

¶22. (U) UNCTAD's annual half day meeting with civil society focused on the international financial crisis. Pedro Paez, Minister for Economic Policy Coordination of Ecuador and Coordinator of the Bank of the South, stressed that financial decisions should be made by a universal body, the G-192, and not smaller groupings. He theorized that the economic crisis is not over, but rather has entered a new destructive phase. Paez attacked "the North's use of printing machines to fix the crisis," and said such inflationary actions by the North would force the global south to follow suit. He called on the USG to give up its Special Drawing Rights allotment and allow the UN to redistribute them. Robert Bissio, executive director of the Third World Institute and coordinator of Social Watch, echoed many of the same ideas, and called for establishment of a "Global Financial Coordinating Council," which would coordinate a new global financial system, and reform of the Bretton Woods system. Many other members of Civil Society spoke and joined the chorus favoring global monetary reform and less reliance on the US Dollar.

¶23. (U) Panelists representing civil society agreed that LDC's have no responsibility for climate change, yet are hurt most by it. Panelists called for: a debt moratorium, grants over loans, and SDR's being distributed based on need, not quota. They expressed general concern and animosity towards International Financial Institutions.

Publications policy and communications strategy

¶24. (SBU) For the first time ever UNCTAD has a communications strategy and operational publications policy. The U.S. succeeded in creating a mandate for UNCTAD's communication strategy and publication policy in the Accra Accord (para 187) and succeed at this TDB in realizing the full and effective operationalization of that paragraph. This was difficult since developing countries were content with the status quo and suspicious that any changes to

UNCTAD's publications processes or efforts to codify a communications strategy might be a backhanded way to reduce UNCTAD's resources, divert resources from G-77 priorities or censure UNCTAD's free expression. Staff in the UNCTAD Secretariat were also concerned about greater intrusion by member states in their work, where previously there was no member state guidance and hence no accountability.

¶25. (SBU) The communications strategy aims to make UNCTAD's work more accessible, demand-driven and cost-effective by targeting defined audiences, requiring publications proposals to include a distribution and promotion strategy, and requiring member states to agree on priorities for the annual communications strategy. The strategy will allow cost savings through greater use of digital technologies. It marks an enormous step forward for the UNCTAD Secretariat in terms of prioritizing its work, institutionalizing a more responsive relationship with member states and creating a process that will lead to greater accountability.

Reports of the Working Party on the Strategic Framework and the
Programme Budget

¶26. (SBU) This was the most contentious agenda item at the Board. The Board typically just rubber stamps Working Party conclusions, but this time Canada with full U.S. support, blocked their approval. Canada and the US were concerned that in one of its conclusions the UNCTAD Working Party had addressed itself to the UN General Assembly, seeking additional resources for a division within UNCTAD. While the US and Canada agreed that the division in question, the LDC and African division, needed more resources, we could not accept that the Working Party would request those from the overall UN budget rather than through recommending a reallocation of existing UNCTAD resources. When developing country delegates tried to repeat the contentious language in another context, we realized that if agreed the language could become a terrible precedent. Around midnight, on the final day of the TDB, the session was suspended due to our unwillingness to approve the Working Party's agreed conclusions in their entirety.

¶27. (SBU) The US agreed to informal consultations and a resumed session on the condition that the Communications and Publications strategy would be addressed prior to the Working Party budget issue, which was a G-77 priority. While the G77 and China were unwilling to amend the Working Party's agreed conclusions, the US and Canada succeeded in neutralizing them through a clarification in the TDB's decision that approved the conclusions.

COMMENT

¶28. (SBU) Opening up the Working Party's agreed conclusions at the TDB created a furor within the G77 and China, but demonstrated that the Working Party's conclusions are not valid until approved by the TDB. The United States will no longer be a member of the UNCTAD Working Party in 2010, so it was extremely beneficial to assert the TDB's role since that will be the only forum we have to block unhelpful language agreed in the Working Party.

¶29. (SBU) Along with asserting the authority of the TDB over the Working Party, the US succeeded in starting a process to more clearly define the role of the Working Party and its oversight responsibilities with regards to UNCTAD's budget and strategic framework. The TDB's decision clarifies that the Working Party reports to the TDB, that the Working Party has no direct relationship with bodies in NY, and that Working Party conclusions have no status unless they are approved by the TDB. The decision also revamps the calendar of meetings for the Working Party so that the schedule of meetings will allow the Working Party to submit its conclusions for consideration to the TDB and that decisions approved by the TDB will be submitted to the UNCTAD Secretary General who will reflect them in his budget proposals to the UN Secretary General prior to his submitting any proposals to the UN SG. This

should mean that for the 2012-2013 biennial budget, for first time the UNCTAD Secretary General's submission to the UN SG will be informed by and reflect member states priorities, not just Secretariat staff preferences.

¶30. (SBU) Another success for the US was that the TDB's decision approving UNCTAD's communication strategy and publication policy also calls on the UNCTAD secretariat to implement recommendations contained in members' statements. The US statement, annexed below, has many recommendations that we should press UNCTAD to pursue and implement, including a proposal that "UNCTAD should establish a member state portal on the UNCTAD website where member states can access information about UNCTAD staff travel plans, so that Geneva delegates can facilitate meetings between UNCTAD staff and interested government officials." Mission notes that along this could also go a long way towards improving transparency and accountability for UN travel expenditures.

Annex 1: Statement by the United States on
UNCTAD Communication and Publication Policy
September 23, 2009

¶31. (U) It is my pleasure to welcome UNCTAD's communication strategy and publications policy. We asked in Accra that UNCTAD produce such documents and are delighted to see that UNCTAD has delivered. These are exciting and important first steps towards improving UNCTAD's outreach and its impact helping developing countries successfully integrate into the world economy.

¶32. (U) We believe that effective communication is essential to UNCTAD's work and relevance. UNCTAD's communications strategy targets the right audiences and proposes effective tools to reach those audiences. We congratulate UNCTAD staff on their work and encourage the Secretariat to maintain the momentum.

¶33. (U) UNCTAD should now devise a concrete plan for implementation of the communications strategy and publication policy, including deadlines for recommended actions, budgets for necessary technological upgrades, equipment, training and outreach events, and benchmarks to measure effectiveness of all work and expenditures. And I was delighted to hear in Deputy Secretary General Draganov's presentation that is UNCTAD's plan. We recognize that important improvements in UNCTAD's communications have already been made and ask that those, and more improvements, continue. We ask that UNCTAD provide its detailed plan for implementation of the communications strategy and publications policy, including any budget implications, to the next Working Party. We believe that UNCTAD should implement its communications strategy within existing resources, and that dedicated resources should be allocated to communications for this purpose.

¶34. (U) While we endorse the communications strategy, we also will take this opportunity to recommend additional concrete improvements. First, we believe UNCTAD could do more to mobilize Geneva delegates as partners in UNCTAD's communications efforts. To that end, UNCTAD should establish a member state portal on the UNCTAD website where member states can access information about UNCTAD staff travel plans, so that Geneva delegates can facilitate meetings between UNCTAD staff and interested government officials. The member state portal should also include lists of who has registered for which meetings, so Geneva delegates stay informed as to which experts from their countries are attending UNCTAD meetings.

¶35. (U) Second, to fully implement the communications strategy and keep it alive and updated, we ask whether UNCTAD has sufficient staff and resources. Does UNCTAD have enough staff with specialized

skills, such as web design and e-tools expertise? Does UNCTAD have a sufficient number of excellent writers to produce web content quickly in multiple languages? If not, what are UNCTAD's plans and budget for implementing the strategy and hiring such necessary staff or retraining existing staff to meet those needs?

¶36. (U) Third, the UNCTAD website is currently very difficult to

navigate and contains multiple subsidiary websites that are not linked or accessible via the current weak search engine. What are UNCTAD's plans to upgrade its search engine and website? As part of the upgrade to UNCTAD's website, we encourage UNCTAD to add an interactive map that links country specific technical assistance and research to the map, to make registrations for all its meetings available on-line, and to install counters so UNCTAD knows how many people are downloading its material and from which locations. This information can help UNCTAD to better understand its users and tailor its products to meet their needs.

¶37. (U) Finally, we encourage UNCTAD to continue work to define its corporate image and message. In the Accra Accord UNCTAD has a wonderful, clear mandate. Per paragraph 171 UNCTAD's purpose is to help developing countries integrate successfully into the global economy. Per paragraph 173 UNCTAD should mainstream 3 issues into all its work: gender equality and the empowerment of women, the promotion of sustainable development, and full and productive employment. Per paragraph 171 and paragraph 8 of the Accra Accord, UNCTAD does 3 types of work: research and analysis, convening of meetings and technical assistance, and UNCTAD serves as the focal point for the UN system for the integrated treatment of trade and development. The mission is clear. The issues to mainstream are clear and the modes of work are defined.

¶38. (U) Unfortunately, this clarity gets lost in UNCTAD's 17 thematic funds for technical assistance, 100 plus publications and myriad of Powerpoint presentations that never seem to have a common look. We encourage UNCTAD to continue to cull its publications, and to continue to improve its clearance process and peer review, so more energy gets focused on fewer high quality publications. We encourage UNCTAD to consider consolidating its 10 thematic trust funds that each accounted for less than 3 percent of 2008 technical assistance expenditures into one fund for pilot projects. Finally we encourage the Secretariat to develop a set of templates for UNCTAD products and presentations and to enforce their use, so that the Secretariat presents a consistent corporate image. In communications, less is often more.

Annex 2: Statement of the United States on UNCTAD Technical Assistance to the Palestinian People September 22, 2009

¶39. (U) The United States appreciates the work of UNCTAD's Secretariat for the program of assistance to the Palestinian people and its support of the Palestinian people. The United States continues to support the Palestinian Authority and its efforts to improve the livelihoods of all Palestinians in the West Bank and Gaza. The Palestinian Authority deserves great credit for its efforts over the past two plus years. A program of reform and a strategy for development first laid out by Prime Minister Fayyad in 2007 is producing results. The IMF is now forecasting significant growth in the West Bank economy in 2009. The Palestinian Authority's program of reform, support from donors, and Israel's easing of internal movement and access restrictions in the West Bank have contributed to these positive indicators. We agree that more progress is needed to maintain this momentum and create the conditions for sustainable economic growth.

¶40. (U) We thank UNCTAD for its efforts to support Palestinian

reform and development efforts by providing technical assistance and trade facilitation in the region, and we encourage UNCTAD to continue its efforts. We are particularly impressed by the implementation of the Automated System for Customs Data (ASYCUDA) which will modernize the Palestinian customs process and aid in enhancing needed customs revenue collection. While we note UNCTAD's investment of resources over the past few years, we understand that this figure will diminish and express concern. We hope to see UNCTAD able to invest additional resources in the West Bank and Gaza in the near future to support the vital work being done in the region.

¶41. (U) Now I would like to take this opportunity to ask UNCTAD which of its technical assistance programs it considers most effective in assisting the Palestinian people. We would like to use

this meeting to learn about specific UNCTAD technical assistance efforts and how they can be enhanced. We look forward to hearing from UNCTAD in this regard.

GRIFFITHS#